



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	06/15/00	Bill No:	AB 2869
Tax:	Sales and Use	Author:	Machado, et al.
Board Position:		Related Bills:	

BILL SUMMARY:

This bill would appropriate \$1.7 billion to fund a consumer sales and use tax rebate equal to between \$50 and \$250 depending on each person's adjusted gross income (AGI). The Franchise Tax Board would determine who is eligible for the rebate and would certify to the Controller those eligible and the amounts. The Controller would be required to mail the rebates, as specified.

ANALYSIS:

Current Law:

Under current law, the state portion of the sales and use tax rate is 6 percent. The 6 percent rate is comprised of various components, as follows:

- 5 percent state tax allocated to the state's General Fund (Section 6051, 6051.3, 6201 and 6201.3).
- 1/2 percent state tax allocated to the Local Revenue Fund which is dedicated to local governments for program realignment (Section 6051.2 and 6201.2).
- 1/2 percent state tax allocated to the Local Public Safety Fund which is dedicated to local governments to fund public safety services (Section 35 of Article XIII of the California Constitution).

In addition to the state portion of the sales and use tax rate, the following local taxes are imposed by cities and/or counties and are administered by the Board:

- 1 1/4 percent Bradley-Burns Uniform Local Sales and Use Tax which is allocated to cities and counties (Part 1.5, commencing with Section 7200).
- 1/8 to 1 1/4 percent Transactions and Use Tax which is allocated to special taxing jurisdictions in various counties and cities within the state (Part 1.6, commencing with Section 7252).

Proposed Law:

This bill would add Chapter 12 (commencing with Section 7180) to Part 1 of Division 2 of the Revenue and Taxation Code to provide a "consumer sales and use tax rebate" for the following persons:

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- a) Any individual who filed a California personal income tax return as a resident or part-year resident for the 1999 tax year;
- b) Any individual who received property tax assistance under the Senior Citizens Homeowners and Renters Property Tax Assistance Law;
- c) Any individual who resided in California during 1999 who was not required to file a state income tax return for the 1999 tax year and who was either required to file a federal tax return for that tax year or who filed a federal return for that tax year to receive the federal Earned Income Tax Credit;
- d) Any individual who was not required to file either a federal or state income tax return for the 1999 tax year but who received benefits under Title II of the Social Security Act or a Tier 1 railroad retirement benefit; and,
- e) Any nonresident who filed a California income tax return who can demonstrate that he or she paid California sales and use tax of at least \$300 during the 1999 tax year.

The bill would specify the amount of the rebates using the following criteria:

- a) Taxpayers who filed returns using the married filing jointly filing status would receive rebates of \$100 if their AGI is less than \$20,000; \$200 if their AGI is at least \$20,000 but less than \$150,000; and \$250 if their AGI is \$150,000 or over;
- b) Taxpayers who filed returns as individuals or who used the married filing separately, head of household, or qualifying widow(er) filing status receive rebates of \$50 if their AGI is less than \$20,000; \$100 if their AGI is at least \$20,000 but less than \$150,000; and \$125 if their AGI is \$150,000 or over;
- c) Part-year residents who filed California income tax returns for the 1999 tax year receive rebates equal to amounts specified immediately above under a) or b) (depending on filing status) multiplied by the percentage of their total AGI that was from California sources, but in no event less than \$10; and,
- d) Nonresidents who filed personal income tax returns for 1999 who can prove they paid sales and use tax of at least \$300 receive rebates of \$50.

The bill would require the FTB to certify the names and addresses of the qualified taxpayers to the Controller no earlier than September 1 and no later than December 31, 2000, and would require the Controller to issue the rebate within 45 days of the date in which FTB makes its certification.

The bill would become effective immediately.

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COMMENTS:

1. **Sponsor and Purpose.** This bill is sponsored by the author and is intended to refund a portion of the State Budget surplus in the form of nonbusiness consumer sales and use taxes paid in 1999.
2. **Bill would not affect the Board of Equalization.** Other than the fact that, as drafted, the rebate provisions would be incorporated into the Sales and Use Tax Law administered by this Board, the bill would not affect the Board of Equalization or its operations.

COST ESTIMATE:

If enacted, this bill would not have an administrative cost to the Board of Equalization.

REVENUE ESTIMATE:

The bill would appropriate \$1.7 billion to fund the rebates authorized by this measure.

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